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**DEPARTMENT OF STATE REVENUE**  
**Revenue Ruling #2008-17 ST**  
**December 12, 2008**

**NOTICE:** Under [IC 4-22-7-7](#), this document is required to be published in the Indiana Register and is effective on its date of publication. It shall remain in effect until the date it is superseded or deleted by the publication of a new document in the Indiana Register. The publication of this document will provide the general public with information about the Department's official position concerning a specific issue.

**ISSUES**

**Sales/Use Tax – Medical Device**

**Authority:** [IC 6-2.5-5-18](#); [45 IAC 2.2-5-28](#)

Taxpayer requests that the Department rule on the taxability of customized cutting guides used for orthopedic surgery.

**STATEMENT OF FACTS**

Taxpayer is a corporation engaged in the manufacturing and sale of customized cutting guides for use in knee replacement surgeries. The manufacturing process uses sophisticated 3-D software to make the cutting guide based on the individual patient's knee anatomy. The guides assist surgeons in making accurate bone cuts that are specific to the individual patient, optimizing the size and placement of the replacement knee. The customized guides are shipped to the surgeons a few days before the surgeries and cannot be used on anyone but the patient for which it was designed.

**DISCUSSION**

[IC 6-2.5-5-18](#) provides a sales tax exemption for the sales of orthopedic devices if the sales are prescribed by a person licensed to issue the prescription. [45 IAC 2.2-5-28](#) provides that "orthopedic devices are designed to correct deformities and/or injuries to the human skeletal system including the spine, joints, bones, cartilages, ligaments and muscles."

The cutting guide is an orthopedic device designed to correct deformities or injuries to the knee. Furthermore, the device is only available to a surgeon using the device to correct the deformity or injury, making the device a piece of prescribed equipment to provide accuracy in the surgical procedure.

**RULING**

The Department rules that the customized cutting guides manufactured and sold by the Taxpayer are tax exempt. The cutting guides are orthopedic devices prescribed by the surgeon who uses the device during the surgery.

**CAVEAT**

This ruling is issued to the taxpayer requesting it on the assumption that the taxpayer's facts and circumstances, as stated herein are correct. If the facts and circumstances given are not correct, or if they change, then the taxpayer requesting this ruling may not rely on it. However, other taxpayers with substantially identical factual situations may rely on this ruling for informational purposes in preparing returns and making tax decisions. If a taxpayer relies on this ruling and the Department discovers, upon examination, that the fact situation of the taxpayer is different in any material respect from the facts and circumstances given in this ruling, then the ruling will not afford the taxpayer any protection. It should be noted that subsequent to the publication of this ruling a change in statute, regulation, or case law could void the ruling. If this occurs, the ruling will not afford the taxpayer any protection.

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